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**TOWN OF CLAYTON, LOUISIANA**

**General Purpose Financial Statements With  
Independent Auditor's Report  
As of and for the Year Ended June 30, 2002  
With Supplemental Information Schedules**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 11/20/02

**TOWN OF CLAYTON, LOUISIANA**  
**YEAR ENDED JUNE 30, 2002**  
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**SECTION I – GENERAL PURPOSE FINANCIAL STATEMENTS**

# SWITZER, HOPKINS & MANGE

Certified Public Accountants

DENNIS R. SWITZER, CPA  
H. MYLES HOPKINS, CPA  
SUSAN L. MANGE, CPA  
JOHN M. JONES, CPA 1921 - 1983

## INDEPENDENT AUDITORS' REPORT

Honorable Wilbert Washington, Mayor  
and Members of the Board of Aldermen  
Clayton, Louisiana

We have audited the accompanying general purpose financial statements of the Town of Clayton, Louisiana as of and for the year ended June 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of Town of Clayton, Louisiana's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Town of Clayton, Louisiana, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplemental information schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the general purpose financial statements of the Town of Clayton, Louisiana. Such information has been subjected to the auditing procedures applied in the examination of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 8, 2002 on our consideration of the Town of Clayton, Louisiana's internal control structure and on its compliance with laws and regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit.

Ferriday, Louisiana  
October 8, 2002

*Switzer, Hopkins & Mange*

TOWN OF CLAYTON, LOUISIANA

COMBINED BALANCE SHEET-ALL FUND TYPES AND ACCOUNT GROUPS

June 30, 2002

	<u>Governmental Fund Types</u>				<u>Proprietary Fund Type</u>		<u>Account Groups</u>		<u>Totals</u>		
	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>\$</u>	<u>\$</u>	<u>Enterprise</u>	<u>\$</u>	<u>General Fixed Assets</u>	<u>Long-Term Debt</u>	<u>2002</u>	<u>(Memorandum Only) 2001</u>
<u>ASSETS</u>											
Cash	\$ 21,374	\$ 24,115	\$	\$	\$ 56,946	\$	\$	-	-	\$ 102,440	\$ 62,357
Receivables, net, where applicable of allowance for uncollectables											
Accounts (Note 3)	4,110	-	-	-	-	38,567	-	-	-	42,677	34,256
Accrued interest	-	-	-	-	-	467	-	-	-	467	447
Restricted assets											
Cash (Note 4)	-	-	-	-	-	56,047	-	-	-	56,047	62,049
General fixed assets (Note 5)	-	-	-	-	-	-	168,981	-	-	168,981	168,981
Property and equipment, net (Note 6)	-	-	-	-	-	1,926,169	-	-	-	1,926,169	1,934,905
Amount available in debt service fund	-	-	-	-	-	-	-	-	16,000	16,000	18,000
Total assets	<u>25,484</u>	<u>24,115</u>	<u>\$</u>	<u>\$</u>	<u>2,078,196</u>	<u>\$</u>	<u>168,981</u>	<u>16,000</u>	<u>2,312,781</u>	<u>2,280,995</u>	
<u>LIABILITIES AND FUND EQUITY</u>											
<u>Liabilities:</u>											
Accounts payable	5,757	-	-	-	-	12,922	-	-	-	18,679	12,074
Other accrued expenses	1,268	-	-	-	-	2,991	-	-	-	4,259	4,372
Customer deposits	-	-	-	-	-	18,920	-	-	-	18,920	18,730
Revenue bonds (Note 7)	-	-	-	-	-	47,000	-	-	-	47,000	52,000
Note payable (Note 7)	-	-	-	-	-	6,029	-	-	-	6,029	-
General long-term debt (Note 7)	-	-	-	-	-	-	-	-	16,000	16,000	18,000
Total liabilities	<u>7,025</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>87,862</u>	<u>-</u>	<u>16,000</u>	<u>110,887</u>	<u>105,176</u>	
<u>Fund equity:</u>											
Contributed capital	-	-	-	-	-	2,196,620	-	-	-	2,196,620	2,110,503
Investment in general fixed assets	-	-	-	-	-	-	168,981	-	-	168,981	168,981
Retained earnings:											
Reserved	-	-	-	-	-	37,127	-	-	-	37,127	62,049
Unreserved (deficit)	-	-	-	-	-	(243,413)	-	-	-	(243,413)	(205,129)
Fund balances:											
Reserved for debt service	-	16,000	-	-	-	-	-	-	-	16,000	18,000
Undesignated	18,459	8,115	-	-	5	-	-	-	-	26,579	21,415
Total fund equity	<u>18,459</u>	<u>24,115</u>	<u>\$</u>	<u>\$</u>	<u>5</u>	<u>1,990,334</u>	<u>168,981</u>	<u>-</u>	<u>2,201,894</u>	<u>2,175,819</u>	
Liabilities and fund equity	<u>\$ 25,484</u>	<u>\$ 24,115</u>	<u>\$</u>	<u>\$</u>	<u>5</u>	<u>2,078,196</u>	<u>\$ 168,981</u>	<u>\$ 16,000</u>	<u>\$ 2,312,781</u>	<u>\$ 2,280,995</u>	

The following notes are an integral part of these financial statements.



TOWN OF CLAYTON, LOUISIANA

**COMBINED STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES-ALL GOVERNMENTAL FUND TYPES**  
**YEAR ENDED JUNE 30, 2002**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u> <u>2002</u>	<u>2001</u>
<b>Revenues:</b>					
Taxes	\$ 64,869	\$ -	\$ -	\$ 64,869	\$ 70,613
Licenses and permits	4,553	-	-	4,553	4,670
Intergovernmental	2,496	-	86,117	88,613	407,305
Charges for services	5	-	-	5	245
Fines	7,552	-	-	7,552	7,956
Miscellaneous	1,748	1,540	-	3,288	3,454
Total revenues	<u>81,223</u>	<u>1,540</u>	<u>86,117</u>	<u>168,880</u>	<u>494,243</u>
<b>Expenditures:</b>					
General government	24,301	-	-	24,301	27,364
Police department	20,466	-	-	20,466	26,915
Street department	9,724	-	-	9,724	24,099
Garbage collection	48,067	-	-	48,067	47,281
Capital outlay	-	-	86,117	86,117	393,208
Debt service:					
Principal payment	-	2,000	-	2,000	2,000
Interest and fiscal charge	-	900	-	900	1,100
Total expenditures	<u>102,558</u>	<u>2,900</u>	<u>86,117</u>	<u>191,575</u>	<u>521,967</u>
(Deficiency) of revenues over expenditures	(21,335)	(1,360)	-	(22,695)	(27,624)
<b>Other financing sources:</b>					
Operating transfers in	<u>25,859</u>	<u>-</u>	<u>-</u>	<u>25,859</u>	<u>26,700</u>
Excess (deficiency) of revenues and other financing sources over expenditures	4,524	(1,360)	-	3,164	(924)
Fund balances, beginning	<u>13,935</u>	<u>25,475</u>	<u>5</u>	<u>39,415</u>	<u>40,339</u>
Fund balances, ending	<u>\$ 18,459</u>	<u>\$ 24,115</u>	<u>\$ 5</u>	<u>\$ 42,579</u>	<u>\$ 39,415</u>

The following notes are an integral part of these statements.

TOWN OF CLAYTON, LOUISIANA  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL, DEBT SERVICE FUNDS AND CAPITAL PROJECTS FUNDS**  
**YEAR ENDED JUNE 30, 2002**

	<u>General Fund</u>			<u>Debt Service Fund Types</u>			<u>Capital Projects Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<b>Revenues:</b>									
Taxes	\$ 71,500	\$ 64,869	\$ (6,631)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	4,500	4,553	53	-	-	-	-	-	-
Intergovernmental	1,600	2,496	896	-	-	-	86,117	86,117	-
Charges for services	-	5	5	-	-	-	-	-	-
Fines	9,000	7,552	(1,448)	-	-	-	-	-	-
Miscellaneous	125	1,748	1,623	1,540	1,540	-	-	-	-
	<u>86,725</u>	<u>81,223</u>	<u>(5,502)</u>	<u>1,540</u>	<u>1,540</u>	-	<u>86,117</u>	<u>86,117</u>	-
<b>Expenditures:</b>									
<b>Current -</b>									
General government	24,459	24,301	158	-	-	-	-	-	-
Public safety -									
Police	20,681	20,466	215	-	-	-	-	-	-
Streets	12,000	9,724	2,276	-	-	-	-	-	-
Garbage collection	41,355	48,067	(6,712)	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	86,117	86,117	-
Debt service -	-	-	-	-	-	-	-	-	-
Principal retirement	-	-	-	2,000	2,000	-	-	-	-
Interest and fiscal charges	-	-	-	900	900	-	-	-	-
Total expenditures	<u>98,495</u>	<u>102,558</u>	<u>(4,063)</u>	<u>2,900</u>	<u>2,900</u>	-	<u>86,117</u>	<u>86,117</u>	-
Excess of revenues over (under) expenditures	(11,770)	(21,335)	(9,565)	(1,360)	(1,360)	-	-	-	-
Other financing sources:									
Operating transfers in	<u>20,000</u>	<u>25,859</u>	<u>5,859</u>	-	-	-	-	-	-
Excess of revenues and other sources over (under) expenditures and other uses	8,230	4,524	(3,706)	(1,360)	(1,360)	-	-	-	-
Fund balance, beginning	<u>13,935</u>	<u>13,935</u>	-	<u>25,475</u>	<u>25,475</u>	-	<u>5</u>	<u>5</u>	-
Fund balances, ending	<u>\$ 22,165</u>	<u>\$ 18,459</u>	<u>\$ (3,706)</u>	<u>\$ 24,115</u>	<u>\$ 24,115</u>	<u>\$ -</u>	<u>\$ 5</u>	<u>\$ 5</u>	<u>\$ -</u>

The following notes are an integral part of these financial statements.



**TOWN OF CLAYTON, LOUISIANA**  
**COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES**  
**IN FUND EQUITY-ENTERPRISE FUND**  
**Years Ended June 30, 2002 and 2001**

	<u>2002</u>	<u>2001</u>
<b>Operating revenues:</b>		
Charges for services	<u>\$ 290,898</u>	<u>\$ 277,896</u>
<b>Operating expenses:</b>		
Gas purchases	66,477	90,619
Salaries	51,620	45,541
Material and supplies	18,603	9,962
Depreciation	94,853	77,009
Repairs	29,081	44,803
Miscellaneous	15,292	12,280
Truck and tractor expense	4,810	3,891
Utilities and telephone	8,643	13,351
Office supplies	3,707	3,712
Payroll taxes	4,979	3,997
Insurance	17,057	18,062
Legal and accounting	3,350	3,200
Bad debt expense	<u>9,000</u>	<u>9,000</u>
Total expenses	<u>327,472</u>	<u>335,427</u>
Operating (loss)	(36,574)	(57,531)
<b>Nonoperating revenues (expenses):</b>		
Interest income	2,212	2,668
Interest expense	<u>(2,985)</u>	<u>(2,727)</u>
Total nonoperating revenues (expenses)	<u>(773)</u>	<u>(59)</u>
(Loss) before operating transfers	(37,347)	(57,590)
Operating transfers (out)	<u>(25,859)</u>	<u>(26,700)</u>
Net (loss)	(63,206)	(84,290)
Contributions from capital projects	86,117	443,783
Fund balance, beginning	<u>1,967,423</u>	<u>1,607,930</u>
Fund balance, ending	<u>\$ 1,990,334</u>	<u>\$ 1,967,423</u>

The following notes are an integral part of these statements.

**TOWN OF CLAYTON, LOUISIANA**

**COMPARATIVE STATEMENT OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2002 AND 2001**

	<u>2002</u>	(Memorandum Only) <u>2001</u>
<b><u>Cash flows from operating activities:</u></b>		
Cash received from customers	\$ 282,962	\$ 268,863
Cash payments to suppliers for goods and services	(176,621)	(207,665)
Cash payments to employees for services	<u>(51,620)</u>	<u>(45,541)</u>
Net cash provided by operating activities	<u>54,721</u>	<u>15,657</u>
<b><u>Cash flows from non-capital financing activities:</u></b>		
Operating transfers (to) other funds	(25,859)	(26,700)
Increase in consumer deposits	<u>190</u>	<u>(520)</u>
Net cash provided by non-capital financing activities	<u>(25,669)</u>	<u>(27,220)</u>
<b><u>Cash flows from capital and related financing activities:</u></b>		
Proceeds from borrowing	9,000	-
Interest paid on notes	(2,908)	(3,063)
Principal paid on notes	<u>(7,971)</u>	<u>(5,000)</u>
Net cash used by capital and related financing activities	<u>(1,879)</u>	<u>(8,063)</u>
<b><u>Cash flows from investing activities:</u></b>		
Interest income	<u>2,192</u>	<u>2,914</u>
Net increase in cash and cash equivalents	29,365	(16,712)
Cash and cash equivalents at July 1, 2001	<u>83,628</u>	<u>100,340</u>
Cash and cash equivalents at June 30, 2002	<u>\$ 112,993</u>	<u>\$ 83,628</u>
<b><u>Reconciliation of operating (loss) to net cash provided (used) by operating activities:</u></b>		
Operating (loss)	\$ (36,574)	\$ (57,531)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:		
Depreciation	94,853	77,009
Changes in assets and liabilities:		
Decrease in accounts receivable	(7,936)	(9,033)
Increase in accounts payable	<u>4,378</u>	<u>5,212</u>
Net cash provided by operating activities	<u>\$ 54,721</u>	<u>\$ 15,657</u>

The following notes are an integral part of these statements.

**TOWN OF CLAYTON, LOUISIANA  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2002**

**INTRODUCTION**

1. The Town of Clayton, Louisiana was incorporated under the provisions of the Lawrason Act as a Village in 1946.
2. The purpose of the municipality is to provide utility services, public safety (police and fire), streets, sanitation and general administrative services.
3. The Board of Aldermen consists of five elective members and they are paid \$125 per month.
4. The Town is located in the northern portion of Concordia Parish, Louisiana. Concordia Parish is located in Northeast Louisiana.
5. The population of Clayton, Louisiana is 875 persons.
6. The Town of Clayton, Louisiana has four full time employees and two part time employees.
7. The Town of Clayton, Louisiana has approximately 330 utility customers.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. BASIS OF PRESENTATION**

The accompanying financial statements of the Town of Clayton, Louisiana have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

**B. REPORTING ENTITY**

As the municipal governing authority, for reporting purposes, the Town of Clayton, Louisiana is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government (municipality), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

**TOWN OF CLAYTON, LOUISIANA  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2002**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

GASB Statement No. 14 established criteria for determining which component units should be considered part of the Town of Clayton, Louisiana for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
  - a) The ability of the municipality to impose its will on that organization, and/or
  - b) The potentials for the organization to provide specific financial benefit to or impose specific financial burdens on the municipality.
2. Organizations for which the municipality does not appoint a voting majority but are fiscally dependent on the municipality.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization were not included because of the nature or significance of the relationship.

As required by generally accepted accounting principles, these financial statements present the Town of Clayton, Louisiana (the primary government) and its component units. There are no component units included in the accompanying financial statements as either blended with the municipality funds or discretely presented.

**C. FUND ACCOUNTING**

The municipality uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. On the other hand, an account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds of the municipality are classified into two categories: governmental and proprietary. In turn, each category is divided into separate fund types. The fund classifications and a description of each existing fund type follow:



**TOWN OF CLAYTON, LOUISIANA  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2002**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Governmental Funds**

Governmental funds are used to account for all or most of the municipality's general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long term debt. Governmental funds include:

1. **General Fund** - the general operating fund of the municipality and accounts for all financial resources, except those required to be accounted for in other funds.
2. **Debt Service Funds** - account for transactions relating to resources retained and used for the payment of principal and interest on those long term obligations recorded in the general long term obligations account group.
3. **Capital Projects** – account for transactions relating to proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

**Proprietary Funds**

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary funds differ from governmental funds in that their focus is on income measurement, which, together with the maintenance of equity, is an important financial indicator. Proprietary funds include:

1. **Enterprise funds**—account for operations (a) where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that *periodic determination of revenues earned, expenses incurred, and/or net income* is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**General Fixed Assets and Long Term Debt**

The accounting and reporting treatment applied to the property, plant and equipment and long-term liabilities associated with a fund are determined by its measurement focus.

All governmental fund type operations are accounted for on a spending or “financial flow” measurement focus and only current assets and current liabilities are generally included on their balance sheets.

**TOWN OF CLAYTON, LOUISIANA  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2002**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group and are recorded as expenditures in the governmental fund types when purchased. The Town has elected to not capitalize public domain (“infrastructure”) fixed assets consisting of certain improvements other than buildings, including roads, bridges, sidewalks and drainage improvements. No depreciation has been provided on general fixed assets.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group.

All proprietary funds are accounted for on a cost of services or “capital maintenance” measurement focus, and all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets.

Depreciation of all exhaustible fixed assets used in the proprietary fund is charged as an expense against their operations. Depreciation has been provided over the estimated useful lives using the straight-line method as follows:

Gas lines, Sewer lines and plant	50 years
Vehicles and equipment	3 to 10 years

All fixed assets are stated a historical cost.

**D. BASIS OF ACCOUNTING**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Taxpayer-assessed income, gross receipts and sales taxes are considered “measurable” when in the hands of collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is principal and interest on general long-term debt which is recognized when due.



**TOWN OF CLAYTON, LOUISIANA  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2002**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when earned and their expenses are recognized when incurred. Bad debts are recognized when they become uncollectable.

**E. BUDGETS AND BUDGETARY ACCOUNTING**

The Town follows these procedures in establishing the budgetary data reflected in these financial statements:

1. The Town prepares a proposed budget and submits it to the Mayor and Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year. The Town approves a budget for the general fund only.
2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through the passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
5. Budgetary amendments involving the transfer to funds from one department, program or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated, require the approval of the Board of Aldermen.
6. All budgetary appropriations lapse at the end of each fiscal year.
7. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended from time to time by the Board of Aldermen. Such amendments were not material in relation to the original appropriations.

**F. INVENTORIES**

Inventories of material and supplies are valued at lower of cost or market.

**TOWN OF CLAYTON, LOUISIANA  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2002**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**G. COMPARATIVE DATE**

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Town's financial position and operations. However, comparative (i.e., presentation of prior year totals by fund type) data have not been represented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

**H. TOTAL COLUMNS ON COMBINED STATEMENTS - OVERVIEW**

Total columns on the combined statements – overview are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**I. CASH AND CASH EQUIVALENTS**

Cash includes amounts in demand deposits, interest-bearing demand deposits and time deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the municipality may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

**J. FUND EQUITY**

**Contributed Capital**

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers, or other funds when such resources are restricted for the acquisition or construction of capital assets. Contributed capital is amortized based on the depreciation recognized on that portion of the assets acquired or constructed from such resources.

**K. ENCUMBRANCES**

The Town of Clayton does not use encumbrance accounting.

**TOWN OF CLAYTON, LOUISIANA  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2002**

**NOTE 2 – CASH AND CASH EQUIVALENTS**

Under state law, the Town may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having principal offices in Louisiana.

The following is a summary of cash and cash equivalents (book balances) at June 30, 2002:

Demand deposits	\$ 92,244
Time deposits	<u>66,243</u>
Total	<u>\$ 158,487</u>

Under state law, these deposits, or the resulting bank balances, must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Cash and cash equivalents (bank balances) at June 30, 2002 of \$158,445 were secured by Federal deposit insurance.

**NOTE 3 – RECEIVABLES**

The following is a summary of the receivables at June 30, 2002:

	<u>General Fund</u>	<u>Utility Fund</u>
Garbage taxes	\$ 4,110	\$ -
Utility fees	-	49,044
Less allowance for bad debts	<u>-</u>	<u>(10,477)</u>
Total accounts receivable	<u>\$ 4,110</u>	<u>\$ 38,567</u>

**NOTE 4 – RESTRICTED ASSETS - PROPRIETARY FUND TYPE**

Certain assets were restricted for debt service and customer deposits. These assets consisted of the following:

Sinking	\$ 21,017
Customer deposits	18,920
Bond reserve fund	3,700
Bond contingency fund	<u>12,410</u>
	<u>\$ 56,047</u>

**TOWN OF CLAYTON, LOUISIANA  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2002**

**NOTE 5 – CHANGES IN GENERAL FIXED ASSETS ACCOUNT GROUP**

A summary of changes in general fixed assets follows:

	<u>Balance</u> <u>6/30/2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/20/2002</u>
Land	\$ 8,425	\$ -	\$ -	\$ 8,425
Equipment	<u>160,556</u>	<u>-</u>	<u>-</u>	<u>160,556</u>
Total	<u>\$168,981</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$168,981</u>

**NOTE 6 – PROPRIETARY FUND PROPERTY, PLANT AND EQUIPMENT**

A summary of the proprietary fund's plant and equipment at June 30, 2002 follows:

Water and gas system	\$ 780,566
Sewer system	1,985,758
Buildings	10,279
Trucks	11,329
Equipment	<u>64,395</u>
Total	2,852,327
Less accumulated depreciation	<u>(926,158)</u>
Net	<u>\$1,926,169</u>

**NOTE 7 – CHANGES IN LONG-TERM DEBT**

The following is a summary of bond transactions of the Town of Clayton for the year ended June 30, 2002:

	<u>General</u> <u>Obligation</u> <u>Bonds</u>	<u>Revenue</u> <u>Bonds</u>	<u>Note</u> <u>Payable</u>	<u>Total</u>
Bonds payable at June 30, 2001	\$ 18,000	\$ 52,000	\$ -	\$ 70,000
Additions	-	-	9,000	9,000
Deductions	<u>(2,000)</u>	<u>(5,000)</u>	<u>(2,971)</u>	<u>(9,971)</u>
Bonds payable at June 30, 2002	<u>\$ 16,000</u>	<u>\$ 47,000</u>	<u>\$ 6,029</u>	<u>\$ 69,029</u>

Bonds payable at June 30, 2002 are comprised of the following issues:



**TOWN OF CLAYTON, LOUISIANA  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2002**

**NOTE 7 – CHANGES IN LONG-TERM DEBT - CONTINUED**

**General obligation bonds:**

\$30,000 1970 sewer district serial bonds  
due in annual installments of \$1,000  
through January 1, 2010; interest at 5% 8,000

\$30,000 1970 sewer district serial bonds  
due in annual installments of \$1,000  
through January 1, 2010; interest 5% 8,000

\$ 16,000

**Revenue bonds:**

\$140,000 1970 sewer serial bonds due in  
annual installments of \$5,000 to \$7,000  
through January 1, 2010; interest at 5% \$ 47,000

**Notes payable:**

\$9,000 notes payable due in monthly  
installments of \$400 through September  
2003; interest at 8% \$ 6,029

The annual requirements to amortize all debt outstanding as of June 30, 2002 including interest payments are as follows:

<u>Year Ended June 30</u>	<u>General Obligation Bonds</u>	<u>Revenue Bonds</u>	<u>Notes Payable</u>	<u>Total</u>
2003	\$ 2,800	\$ 7,600	\$ 4,800	\$ 15,200
2004	2,700	7,350	1,600	11,650
2005	2,600	7,100	-	9,700
2006	2,500	7,850	-	10,350
2007	2,400	7,550	-	9,950
Thereafter	<u>6,600</u>	<u>28,200</u>	<u>-</u>	<u>34,800</u>
	19,600	65,650	6,400	91,650
Less amounts representing interest	<u>(3,600)</u>	<u>(18,650)</u>	<u>(371)</u>	<u>(22,621)</u>
<b>TOTAL</b>	<u><b>\$ 16,000</b></u>	<u><b>\$ 47,000</b></u>	<u><b>\$ 6,029</b></u>	<u><b>\$ 69,029</b></u>

**TOWN OF CLAYTON, LOUISIANA  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2002**

**NOTE 8 – PROPRIETARY FUND BOND INDENTURE RESTRICTIONS**

The Town's proprietary fund bonds are governed by bond indenture, the terms of which are summarized as follows:

1. The Town shall maintain a reserve fund with a minimum balance of \$3,700.
2. The Town shall maintain a depreciation and contingency fund into which monthly deposits of \$30 will be made. Annual deposits of \$360 will be required for each of the next five years.
3. The Town shall maintain an amortization fund of sufficient balances to pay bonds and interest as they mature.

As of June 30, 2002 the Town was in compliance with each of these restrictions.

**NOTE 9 – RESERVES OF FUND EQUITY**

The Town of Clayton records reserves to indicate that a portion of the fund equity is legally segregated for a specific future use. The following details the description and amount of all reserves used by the Town.

	<b>Balance at <u>June 30, 2002</u></b>
<b>a. Debt Service Fund</b>	
Reserved for debt service	<b><u>\$ 16,000</u></b>
<b>b. Enterprise Fund</b>	
Reserve for debt service	<b><u>\$ 37,127</u></b>

**NOTE 10 – DEFICIT RETAINED EARNINGS**

The enterprise fund deficit in retained earnings of \$243,413 is the result of revenues inadequate to cover expenses including depreciation for several years.

**NOTE 11 – AD VALOREM TAXES**

Ad valorem taxes attach as an enforceable lien on property as of January 1, of each year. Taxes are levied by the Town in September or October and are actually billed to the taxpayers in November. Billed taxes become delinquent on January 1, of the following year. Revenues from ad valorem taxes are budgeted in the year billed.



**TOWN OF CLAYTON, LOUISIANA  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2002**

**NOTE 11 – AD VALOREM TAXES - CONTINUED**

The Town bills and collects its own property taxes using the assessed values determined by the tax assessor of Concordia Parish.

For the year ended June 30, 2002 taxes of 3.88 mills were levied on property with assessed valuations totaling \$1,153,770 and were dedicated to general corporate purposes.

Total ad valorem taxes levied were \$4,878 during the year ended June 30, 2002.

**NOTE 12 – RETIREMENT COMMITMENTS**

The Town of Clayton employees are all members of the social security system and are members of no other retirement plan. The expense of the social security is reflected in payroll taxes in the various statements of income.

**NOTE 13 – OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES**

The Town's policy for vacation and sick leave allows ten days paid for vacation and ten days paid for sick leave. Any unused days at the end of the calendar year will be lost. At June 30, 2002, all full time employees had sick days remaining unused and all vacation days had been used. The liability for unused days is recorded in the General and Enterprise Funds.

**NOTE 14 – OTHER ENTERPRISE FUND DISCLOSURES**

Enterprise fund sales were as follows:

Gas sales	\$178,047
Water sales	64,831
Sewerage fees	<u>48,020</u>
Total	<u>\$290,898</u>

Enterprise fund working capital is as follows at June 30, 2002:

Current assets	\$ 95,980
Current liabilities	<u>25,386</u>
Net working capital	<u>\$ 70,594</u>

**TOWN OF CLAYTON, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2002**

**NOTE 15 – SUMMARY OF GRANTS**

Funding from the following Federal grants was received during the year ended June 30, 2002:

<u>Funding Source and Program</u>	<u>CFDA Number</u>	<u>Revenue Amount</u>
Federal Grants:		
HUD-LCDBG Wastewater Improvements	14.219	\$ 86,117
Department of Justice - Cops	16.710	<u>896</u>
Total - Federal Grants		<u>\$ 87,013</u>

**SECTION II – SUPPLEMENTAL INFORMATION SCHEDULES**

**GENERAL FUND**

**To account for resources traditionally associated with governments that are  
not required to be accounted for in another fund.**

**TOWN OF CLAYTON, LOUISIANA**  
**GENERAL FUND**

**COMPARATIVE BALANCE SHEET**  
**JUNE 30, 200 AND 2001**

	<b><u>2002</u></b>	<b><u>2001</u></b>
<b><u>ASSETS</u></b>		
Cash	\$ 21,374	\$ 15,298
Receivables:		
Accounts	<u>4,110</u>	<u>3,625</u>
 Total assets	 <u>25,484</u>	 <u>18,923</u>
 <b><u>LIABILITIES AND FUND BALANCE</u></b>		
Liabilities:		
Accounts payable	5,757	3,530
Other accrued expenses	<u>1,268</u>	<u>1,458</u>
Total current liabilities	<u>7,025</u>	<u>4,988</u>
 Fund balance	 <u>18,459</u>	 <u>13,935</u>
 Total liabilities and fund balance	 <u>\$ 25,484</u>	 <u>\$ 18,923</u>

The following notes are an integral part of these financial statements.

**TOWN OF CLAYTON, LOUISIANA**  
**GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE-BUDGET (GAAP BASIS) AND ACTUAL**

**YEAR ENDED JUNE 30, 2002**

**With Comparative Actual Amounts for the Year Ended June 30, 2001**

		<u>2002</u>	Variance - Favorable (Unfavorable)	2001 <u>Actual</u>
	<u>Budget</u>	<u>Actual</u>		
<b>Revenues:</b>				
Taxes	\$ 71,500	\$ 64,869	\$ (6,631)	\$ 70,613
Licenses and permits	4,500	4,553	53	4,670
Intergovernmental	1,600	2,496	896	14,092
Charges for services	-	5	5	245
Fines	9,000	7,552	(1,448)	7,956
Miscellaneous	125	1,748	1,623	2,992
Total revenues	<u>86,725</u>	<u>81,223</u>	<u>(5,502)</u>	<u>100,568</u>
<b>Expenditures:</b>				
General government	24,459	24,301	158	27,364
Police department	20,681	20,466	215	26,915
Street department	12,000	9,724	2,276	24,099
Garbage collection	41,355	48,067	(6,712)	47,281
Total expenditures	<u>98,495</u>	<u>102,558</u>	<u>(4,063)</u>	<u>125,659</u>
<b>Excess of revenues (under)</b> <b>expenditures</b>	(11,770)	(21,335)	(9,565)	(25,091)
<b>Other financing sources</b>				
Operating transfers in	<u>20,000</u>	<u>25,859</u>	<u>5,859</u>	<u>26,700</u>
<b>Excess (deficiency) of</b> <b>revenues over expenditures</b> <b>and other uses</b>	8,230	4,524	(3,706)	1,609
<b>Fund balance, beginning</b>	<u>13,935</u>	<u>13,935</u>	<u>-</u>	<u>12,326</u>
<b>Fund balance, ending</b>	<u>\$ 22,165</u>	<u>\$ 18,459</u>	<u>\$ (3,706)</u>	<u>\$ 13,935</u>

The following notes are an integral part of these financial statements.



**TOWN OF CLAYTON, LOUISIANA**  
**GENERAL FUND**

**STATEMENT OF EXPENDITURES COMPARED TO BUDGET (GAAP BASIS)**

**YEAR ENDED JUNE 30, 2002**

**With Comparative Actual Amounts for the Year Ended June 30, 2001**

		<u>2002</u>	Variance -	
	<u>Budget</u>	<u>Actual</u>	Favorable	2001
			<u>(Unfavorable)</u>	<u>Actual</u>
<b>General government:</b>				
Salaries	\$ -	\$ 969	\$ (969)	\$ 785
Mayor's salary	3,600	3,000	600	3,600
Aldermen fees	9,000	7,500	1,500	9,000
Payroll taxes	1,930	1,436	494	3,706
Publication expense	700	228	472	839
Other expense	4,975	6,012	(1,037)	4,708
Insurance	3,154	4,092	(938)	2,147
Office expense	1,100	1,064	36	2,579
Total	<u>24,459</u>	<u>24,301</u>	<u>158</u>	<u>27,364</u>
<b>Police department:</b>				
Salaries	12,618	13,038	(420)	21,354
Automobile expense	7,263	4,700	2,563	4,808
Supplies, uniforms, etc.	800	2,728	(1,928)	753
Total	<u>20,681</u>	<u>20,466</u>	<u>215</u>	<u>26,915</u>
<b>Street department:</b>				
Street overlay	-	392	(392)	12,320
Street lights	12,000	9,332	2,668	11,779
Total	<u>12,000</u>	<u>9,724</u>	<u>2,276</u>	<u>24,099</u>
<b>Garbage collection:</b>				
Salaries	7,464	6,890	574	16,726
Truck expense	-	4,053	(4,053)	6,030
Maintenance	32,100	32,100	-	11,399
Miscellaneous	1,791	4,249	(2,458)	3,957
Insurance	-	775	(775)	9,169
Total	<u>41,355</u>	<u>48,067</u>	<u>(6,712)</u>	<u>47,281</u>
<b>Total</b>	<u>\$ 98,495</u>	<u>\$ 102,558</u>	<u>\$ (4,063)</u>	<u>\$ 125,659</u>

The following notes are an integral part of these financial statements.

**DEBT SERVICE FUNDS**

**Sewer District #1 -- To accumulate monies for payments of 1970 \$30,000  
Public Improvement Sewer Bonds**

**Town Tax Bonds -- To accumulate monies for payment of 1970 \$30,000  
Public Improvements Bonds  
(Sewer Public Improvements)**

**TOWN OF CLAYTON, LOUISIANA**  
**DEBT SERVICE FUNDS**

**COMBINING BALANCE SHEET**  
**YEAR ENDED JUNE 30, 2002**  
**With Comparative Totals for June 30, 2001**

	<b>Sewer District #1</b>	<b>Sewer Public Improvements</b>	<b>Totals 2002</b>	<b>2001</b>
<b><u>ASSETS</u></b>				
Cash	<b><u>\$ 11,993</u></b>	<b><u>\$ 12,122</u></b>	<b><u>\$ 24,115</u></b>	<b><u>\$ 25,475</u></b>
<b><u>FUND BALANCES</u></b>				
Reserved for debt service	<b>8,000</b>	<b>8,000</b>	<b>16,000</b>	<b>18,000</b>
Available for other purposes	<b><u>3,993</u></b>	<b><u>4,122</u></b>	<b><u>8,115</u></b>	<b><u>7,475</u></b>
Total fund balances	<b><u>\$ 11,993</u></b>	<b><u>\$ 12,122</u></b>	<b><u>\$ 24,115</u></b>	<b><u>\$ 25,475</u></b>

The following notes are an integral part of these financial statements.

**TOWN OF CLAYTON, LOUISIANA**  
**DEBT SERVICE FUNDS**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**

**YEAR ENDED JUNE 30, 2002**  
**With Comparative Totals for June 30, 2001**

	<b>Sewer District #1</b>	<b>Sewer Public Improvements</b>	<b>Totals 2002</b>	<b>2001</b>
<b>Revenues:</b>				
Interest income	<u>\$ 770</u>	<u>\$ 770</u>	<u>\$ 1,540</u>	<u>\$ 462</u>
 <b><u>FUND BALANCES</u></b>				
<b>Expenditures:</b>				
Bonds paid	1,000	1,000	2,000	2,000
Interest paid	<u>450</u>	<u>450</u>	<u>900</u>	<u>1,000</u>
Total expenditures	<u>1,450</u>	<u>1,450</u>	<u>2,900</u>	<u>3,000</u>
 (Deficiency) of revenues over expenditures	(680)	(680)	(1,360)	(2,538)
 Fund balance, beginning	<u>12,673</u>	<u>12,802</u>	<u>25,475</u>	<u>28,013</u>
 Fund balance, ending	<u>\$ 11,993</u>	<u>\$ 12,122</u>	<u>\$ 24,115</u>	<u>\$ 25,475</u>

The following notes are an integral part of these financial statements.

**CAPITAL PROJECTS FUND**

**TOWN OF CLAYTON, LOUISIANA**  
**CAPITAL PROJECTS FUND**

**BALANCE SHEET**  
**JUNE 30, 2002**

		<b>Grant</b>
		<b>107-900462</b>
		<b>LCDBG</b>
		<b>Sewer</b>
		<b><u>Improvements</u></b>
	<b><u>ASSETS</u></b>	
<b>Cash</b>		<b>\$ <u>5</u></b>
<b><u>LIABILITIES AND FUND EQUITY</u></b>		
<b>Liabilities</b>		<b><u>-</u></b>
<b>Fund Equity</b>		<b>\$ <u>5</u></b>

The following notes are an integral part of these financial statements.



**TOWN OF CLAYTON, LOUISIANA**  
**CAPITAL PROJECTS FUND**

**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**YEAR ENDED JUNE 30, 2002**

	<b>Grant</b>
	<b>107-900462</b>
	<b>LCDBG</b>
	<b>Sewer</b>
	<b><u>Improvements</u></b>
<b>Revenues:</b>	
<b>Grant income</b>	<b>\$ <u>86,117</u></b>
<b>Expenditures:</b>	
<b>Engineering</b>	<b>9,675</b>
<b>Administrative</b>	<b>8,347</b>
<b>Construction</b>	<b><u>68,095</u></b>
<b>Total expenditures</b>	<b><u>86,117</u></b>
<b>Excess of revenues over expenditures</b>	<b>-</b>
<b>Fund balance, beginning</b>	<b><u>5</u></b>
<b>Fund balance, ending</b>	<b><u>\$ 5</u></b>

The following notes are an integral part of these financial statements.

**TOWN OF CLAYTON, LOUISIANA**  
**CAPITAL PROJECTS FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**YEAR ENDED JUNE 30, 2002**

	107-900462 <u>LCDBG Sewer Improvements</u>		
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Grant income	\$ 86,117	\$ 86,117	\$ -
<b>Expenditures:</b>			
Engineering	9,675	9,675	-
Administrative	8,347	8,347	
Construction	68,095	68,095	-
Total expenditures	86,117	86,117	-
<b>Excess of revenues over expenditures</b>	-	-	-
<b>Fund balance, beginning</b>	5	5	-
<b>Fund balance, ending</b>	\$ 5	\$ 5	\$ -

The following notes are an integral part of these financial statements.

**GENERAL LONG TERM DEBT  
ACCOUNT GROUP**

**To account for unmatured principal amounts on general long term debt expected to be  
financed from governmental type funds. Payment of maturing obligations,  
including interest, are accounted for in the debt service funds.**

**TOWN OF CLAYTON, LOUISIANA**

**STATEMENT OF GENERAL LONG-TERM DEBT**

**JUNE 30, 2002**

**With Comparative Totals for June 30, 2001**

	<b><u>Sewer District #1</u></b>	<b><u>Sewer Public Improvements</u></b>	<b><u>2002</u></b>	<b><u>2001</u></b>
<b><u>AMOUNT AVAILABLE AND TO PROVIDE FOR THE RETIREMENT OF GENERAL LONG-TERM DEBT</u></b>				
Amount available in debt service funds for debt retirement	<b><u>\$ 8,000</u></b>	<b><u>\$ 8,000</u></b>	<b><u>\$ 16,000</u></b>	<b><u>\$ 18,000</u></b>
<b><u>GENERAL LONG-TERM DEBT PAYABLE</u></b>				
Bonds payable	<b><u>\$ 8,000</u></b>	<b><u>\$ 8,000</u></b>	<b><u>\$ 16,000</u></b>	<b><u>\$ 18,000</u></b>

The following notes are an integral part of these financial statements.

**TOWN OF CLAYTON, LOUISIANA  
SUPPLEMENTAL INFORMATION SCHEDULES  
FOR THE YEAR ENDED JUNE 30, 2002**

**COMPENSATION PAID ALDERMEN**

**The schedule of compensation paid to aldermen is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Compensation of the aldermen is included in the Legislative expenditures of the General Fund. In accordance with Louisiana Revised Statute 33:405(G), the aldermen have passed an ordinance that sets their compensation at \$125.00 per month.**

**TOWN OF CLAYTON, LOUISIANA**  
**SCHEDULE OF COMPENSATION ALDERMEN**  
**FOR THE YEAR ENDED JUNE 30, 2002**

<b>Mr. William Hall</b>	<b>\$ 1,500</b>
<b>Mrs. Gail Duncan</b>	<b>1,500</b>
<b>Mr. Willie Lee Evans</b>	<b>1,500</b>
<b>Mrs. Debra Minor</b>	<b>1,500</b>
<b>Mrs. Irene Jefferson</b>	<b><u>1,500</u></b>
<b>Total</b>	<b><u>\$ 7,500</u></b>

### **SECTION III – COMPLIANCE/INTERNAL CONTROL**

# SWITZER, HOPKINS & MANGE

Certified Public Accountants

DENNIS R. SWITZER, CPA  
H. MYLES HOPKINS, CPA  
SUSAN L. MANGE, CPA

JOHN M. JONES, CPA 1921 - 1983

## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Wilbert Washington, Mayor  
and Members of the Board of Aldermen  
Town of Clayton, Louisiana

We have audited the general purpose financial statements of Town of Clayton, Louisiana as of and for the year ended June 30, 2002, and have issued our report thereon dated October 8, 2002. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether Town of Clayton, Louisiana's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an object of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance that are required to be reported under *Government Auditing Standards*. The reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2002-1 and 2002-2.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Clayton, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Town of Clayton, Louisiana's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 2002-3.



Honorable Wilbert Washington, Mayor  
Town of Clayton, Louisiana  
Page Two

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider being material weaknesses.

This report is intended for the information and use of management of the district and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

Ferriday, Louisiana  
October 8, 2002

*Switzer, Hopkins & Mangel*

**SECTION IV – SCHEDULE OF FINDINGS  
AND QUESTIONED COSTS**

## **TOWN OF CLAYTON, LOUISIANA**

### **Schedule of Findings and Questioned Costs Year Ended June 30, 2002**

#### **Summary of Audit Results**

##### **1. Auditor's Report**

An unqualified opinion has been issued on the Town of Clayton, Louisiana's general purpose financial statements as of and for the year ended June 30, 2002.

##### **2. Reportable Conditions – Financial Reporting**

One reportable condition in internal control over financial reporting was reported. This condition is reported as 2002-3.

##### **3. Reportable Conditions – Compliance With Laws and Regulations**

There were two reportable conditions of noncompliance with laws and regulations. These conditions are reported as 2002-1 and 2002-2.

#### **Findings – Financial Statement Audit**

##### **Reportable Conditions**

##### **2002-1 Enterprise Fund Utility Cut-off Policy**

We noted that the Town has not enforced the cut-off policy for utility customer's delinquent on their payments for water, gas sewer and garbage pick-up. We have identified at least 66 out of a total of 339 customers who should have had their utilities terminated according to policy. The problem will result in an increase in bad debts experienced if not corrected.

This is a violation of Article VII; Section 14 of Louisiana constitution, which states that public funds cannot be expended for private purposes. In this case the public funds are being expended to provide utility services for private citizens who are not paying according to policy.

We recommend the Town begin terminating all utility services according to the Town's cut-off policy and apply the customers' utility deposits to its accounts receivable.

The Town's response is included in the attached response letter.

##### **2002-2 Borrowing of funds without State Bond Commission approval**

The Town of Clayton borrowed \$9,000 during the year from a local bank without approval of the State Bond Commission. State of Louisiana law requires that debt incurred with a maturity of greater than 90 days be approved by the State Bond commission.

**TOWN OF CLAYTON, LOUISIANA**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2002**

**2002-2 Borrowing of funds without State Bond Commission approval - continued**

**We recommend in the future that no debt be incurred without prior approval of the State Bond Commission.**

**The Town's response is included in the attached response letter.**

**2002-3 Segregation of Duties**

**We noted that the Town of Clayton does not have adequate segregation of duties in the accounting department. Two people are responsible for collections, posting accounts receivable records, posting the cash receipts journals, posting the cash disbursement journals, posting the general ledgers, preparing deposits, opening bank statements and preparing bank reconciliation's as well as writing and signing checks. In order to increase internal controls, these functions should be separated.**

**We recommend that the Town attempt to separate the accounting duties in order to strength internal control.**

**The Town has indicated that it has no plans to hire additional employees to segregate duties. The Town's response is included in the attached response letter.**

**TOWN OF CLAYTON, LOUISIANA**  
**SUMMARY OF SCHEDULE OF PRIOR AUDIT FINDINGS**  
**JUNE 30, 2001**

**Findings – Financial Statement Audit**

**Reportable Conditions**

**2001-1 Enterprise Fund Utility Cut-off Policy**

We noted the Town has abandoned the cut-off policy for utility customer's delinquent on their payments for water, gas, sewer and garbage pick-up. We have identified at least 59 out of a total of 340 customers who should have had their utilities terminated and their deposits applied toward the amounts due. The problem will result in an increase in bad debts experienced if not corrected.

This is a violation of Article VII; Section 14 of Louisiana constitution, which states that public funds cannot be expended for private purposes. In this case the public funds are being expended to provide utility services for private citizens at no cost.

We recommend that the Town begin terminating all utility services according to the Town's cut-off policy and apply the customers' utility deposits to its accounts receivable.

This finding still applies and is included in the current audit for the year ending June 30, 2002 as finding 2002-1.

**2001-2 Violation of Budget Act**

The Town of Clayton violated the Local Government Budget Act in regard to the general fund. Expenditures totaled \$125,659, which is 15% greater than the budgeted amount of \$109,614. Louisiana law requires expenditures to be no more than 5% greater than the budgeted amount.

We recommend the Town of Clayton monitor its expenditures in the future so that they are no more than 5% greater than the amount budgeted.

This finding has been corrected.

**2001-3 Segregation of Duties**

We noted the Town of Clayton does not have adequate segregation of duties in the accounting department. Two people are responsible for collections, posting accounts receivable records, posting the cash receipts journals, posting the cash disbursement journals, posting the general ledgers, preparing deposits, opening bank statements and preparing bank reconciliation's as well as writing and signing checks. In order to increase internal controls, these functions should be separated.

We recommend the Town attempt to separate the accounting duties in order to strength internal control.

This finding still applies and in included in the current audit for the year ending June 30, 2002 as finding 2002-3.

**SECTION V - RESPONSE**

**TOWN OF CLAYTON  
P. O. BOX 277  
CLAYTON, LA 71326**

**October 23, 2002**

**Mr. H. Myles Hopkins, CPA  
Switzer, Hopkins, & Mange  
P. O. Box 478  
Ferriday, LA 71334**

**Dear Mr. Hopkins:**

**In regard to the audit report findings for the period ended June 30, 2002, I have the following response:**

**Finding 2002-1 Utility Cut Off Policy**

**I will meet with the Town Clerk and determine what the problem is concerning the utility cut off policy and we will correct the problem.**

**Finding 2002-2 Borrowing of Funds**

**We did not know that the borrowing of \$9,000 was in violation of Louisiana Law. We rely on the bank to tell us what is needed in a case like this and the bank did not require Bond Commission approval.**

**This loan balance has been paid down to less than \$5,000 and will be paid off in less than two years. In the future we will comply with the law concerning Bond Commission approval.**

**Finding 2002-3 Segregation of Duties**

**We do not have enough accounting personnel to segregate duties so that we have perfect internal control. We have no plans to hire additional people in the Town Hall and we will probably have this problem.**

**Please let me know if you have any questions.**

**Sincerely,**



**Wilbert Washington, Mayor  
Town of Clayton, Louisiana**